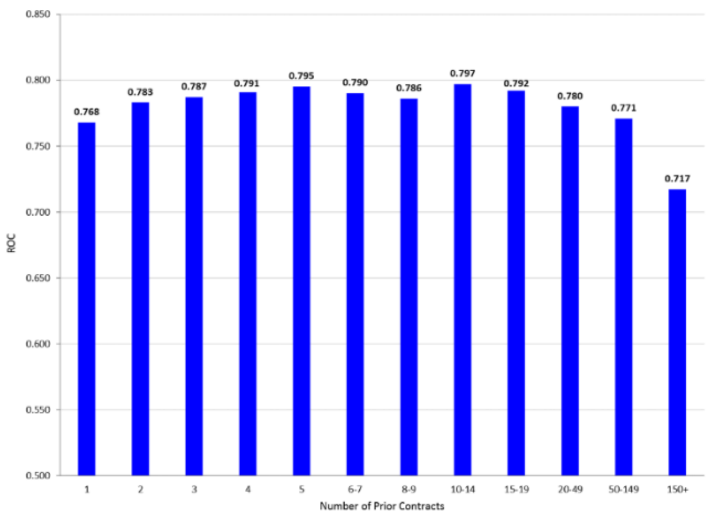
Taking the Risk Out of Small Business Lending

Because You Asked….

New Study Demonstrates High Lift from Commercial Scores Even in Cases Where Credit Files Are "Thin"

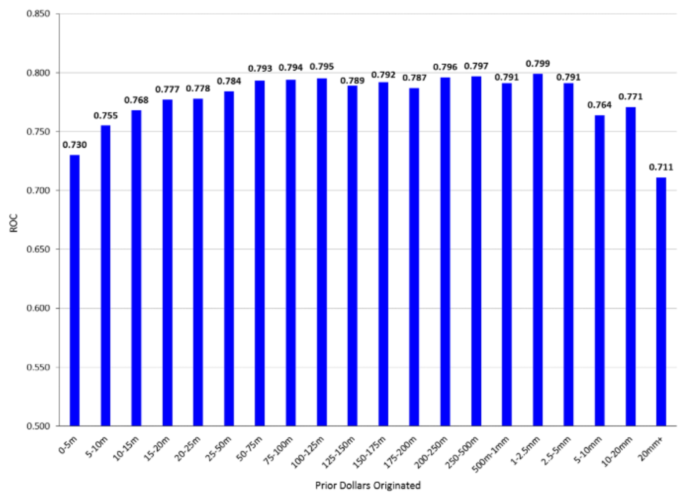
A PayNet client asked how predictive PayNet's scores were when the borrower's credit file was thin, with few prior contracts. To evaluate this, PayNet conducted two analyses using PayNet MasterScore® v2 at time of origination for transactions originated from 2005 to 2012. One analyzed the predictive lift by the number of contracts reported in the PayNet database for the subject borrower at time of origination. The other analyzed the predictive lift by total dollars originated in the PayNet database for the subject borrower at time of origination. "Bad" (default) was defined as the contract becoming 90 days past due, or having a major negative event (e.g. bankruptcy) reported within 24 months of origination.

Results - **showed only a small difference in predictive lift between "thin" files and "thick" files:**



PayNet MasterScore® v2 ROC by Contract Count

The ROC for borrowers with only 1 contract was 0.768, just 9% less than the ROC for borrowers with 5 contracts (0.795)



PayNet MasterScore® v2 ROC by Dollars Originated

Credit files with originations totaling $175,000 had an ROC of 0.792. Credit files with originations totaling $15,000 show a 0.768 ROC only around 8.2% less.